



Union of Concerned Scientists
Citizens and Scientists for Environmental Solutions

February 28, 2007

Winston Hickox
Chair, Cal EPA Market Advisory Committee

Lawrence H. Goulder
Vice Chair, Cal EPA Market Advisory Committee

Re: Comments for Market Advisory Committee on the Occasion of its First Public Meeting

Dear Mr. Hickox, Professor Goulder, and Committee members,

Time expired before I was able to offer comments at the Market Advisory Committee's public meeting yesterday. The following are the remarks I had intended to deliver.

My name is Chris Busch, and I'm an Economist with the Union of Concerned Scientists' California Climate Program.

Thank you for the opportunity to offer these comments.

We emphasize the need for climate policies to create strong incentives for innovation. 2020 is not the destination, but rather is a point in time along the road to the target of an 80% reduction by 2050.

In the context of indications that cap-and-trade will be a part of AB 32 implementation, we wish to emphasize that other, additional complementary policies are critical for driving technological progress. We encourage the ARB to press forward with the development of complementary policies, early action and otherwise.

With respect to design of a cap-and-trade program, a large role for offsets could diminish incentives for innovation in covered sectors by shifting emission reductions from the targeted sectors to other sectors or even to areas outside of California. Offsets also raise complex analytical questions and if not designed well could threaten the program's environmental integrity.

We are encouraged by the movement toward substantial auctioning of allowances in the RGGI states. Auctioning is simpler, treats new entrants fairly, rewards early actors who have to purchase fewer allowances, offers potential efficiency benefits, and avoids the type of unfair windfall profits that have resulted from free allocation in the E.U. emission trading system. Auction revenue could also prove useful in AB 32 implementation, for example in funding energy efficiency programs or incentives for clean tech investment.

We hope that the ARB will undertake a serious effort to analyze the economic and environmental impacts of all policies associated with AB 32 implementation. The ARB should vigilantly enforce anti-backsliding provisions and implement measures to counteract any disproportionate economic impacts on low-income households.

To the greatest extent possible we urge that cost-effectiveness calculations and policy formulation take into account the co-benefits of global warming solutions, in particular reductions in the emission of criteria pollutants and toxics.

Finally, on the announcement of a Western Regional Climate Initiative, we welcome other states taking bold action on global warming and look forward to learning the details of the arrangement, but caution that this should contribute to and not undermine California's efforts.

Thank you for taking these comments into consideration.

Sincerely,

Chris Busch, Ph.D.
Economist, California Climate Program